

TERM INSURANCE

A buying guide for women

**Want to ensure the safety and financial security of your family?
Here's important information you need to know about buying term insurance**



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Women ace money management, but they sometimes tend to overlook their insurance needs. A term insurance is a key component of good financial management that fulfils the needs of the family at every step just as women do.

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Introduction

The contemporary Indian woman dons multiple hats. She is not just a daughter, wife, mother, homemaker or a professional. She juggles all these responsibilities, and does so flawlessly. Women today are not only becoming financially independent and contributing to the family's income, they are also actively participating towards the planning and execution of the family's goals. They are no longer silent observers, but key drivers of the social framework in the Indian household, paving the way for the family's progress.

We know that women are prudent about money management; they know how to hustle, save and invest their hard earned money. However, sometimes they tend to overlook their insurance needs. A term insurance is a key component of good financial planning that fulfils the needs of the family at every step just as women do.

To ensure the complete safety and financial security of your family, it is imperative for you to consider a term insurance plan that meets your specific needs as a woman and that of your family.

What is term insurance?

A term insurance is a simple yet key instrument for overall financial protection. As the name suggests, a term insurance provides coverage for a certain period of time called the policy term. If the insured passes away during this period, a benefit called the sum assured is paid to their nominee. With better healthcare services and increased life expectancy, new age term insurance plans now offer a whole life cover going all the way up to 99 years!

Term insurance is among the cheaper and more affordable forms of life insurance. This means it provides high coverage for a low premium. Policyholders can pay the premium of a term insurance in monthly, quarterly, half yearly or annual instalments. The premium is the cheapest when paid on an annual basis. Many new term insurance plans also provide a limited pay option, where you can pay off all your premiums in a few years and enjoy the benefits of the policy for the entire term. While the individual premiums paid may be higher in this case, you can end up saving up to 70%* on the total amount paid.



Importance of term insurance

A term insurance steps in and takes on the financial responsibility of the family in case something unfortunate happens to you. Here are some overarching benefits of investing in a term insurance plan.

Financial security:

A term insurance ensures that your family will be financially secure no matter what, and their life pans out just as you envisioned, without having to depend on others.

Income replacement:

In addition to securing the long term financial needs of the family, the insurance pay-out ensures that the family's everyday expenses, rent/ EMI or children's school fees, etc. can be paid for without tapping into other investments.

Peace of mind:

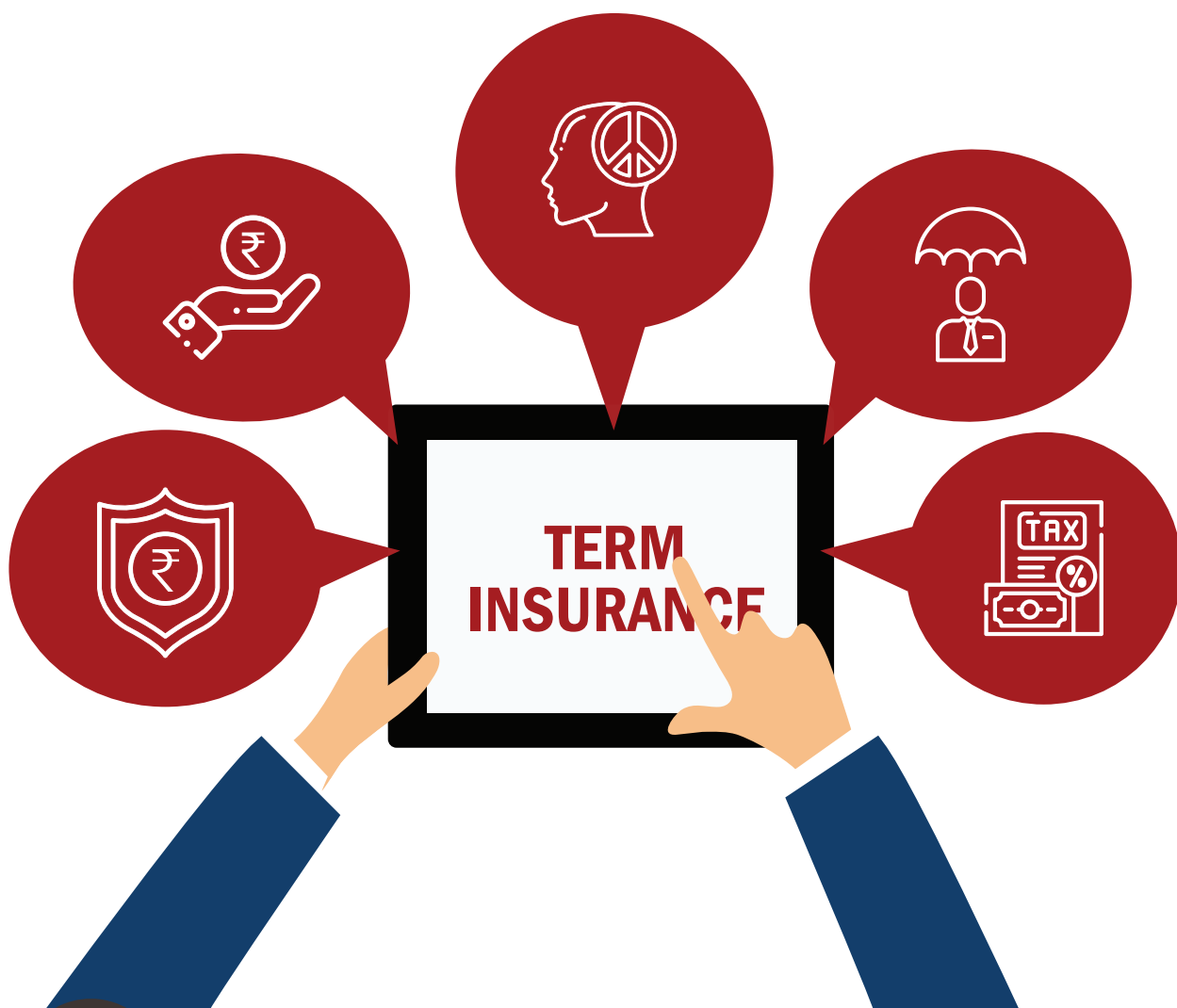
The biggest benefit of a term insurance is that it gives you peace of mind, knowing that your family's finances will be taken care of even in your absence.

An umbrella of benefits:

A host of other benefits such as a cover for terminal/ critical illness, accidental death benefit or permanent disability covered through optional and affordable add-on riders can help protect against unforeseen events and compound your insurance coverage.

Tax benefit:

You can avail annual tax deductions for term insurance premiums paid under Section 80C ^ of the Income Tax Act of 1961. If you opt for a critical illness benefit, the premium paid towards the critical illness rider can be claimed as additional deductions under Section 80D. ^



Why do women need term insurance?

As women shoulder equal financial responsibility of the household, their absence can cause significant financial distress to their dependents. Term insurance provides a safety net to their family.

Women are known to be caregivers in a family and they tend to put the needs of their loved ones before their own. Hence, it is important for them to create a safety net that takes care of their family even in their absence. This is where term insurance comes in. A term plan is a crucial part of any strong financial portfolio, regardless of your marital status or employment position.

Here are some factors that necessitate your need for a term insurance.

Older parents

Your parents did all they could to secure your future, and now it may be your turn to ensure that their post retirement years are as comfortable as possible. Even though your parents may have saved up for their retirement, there is a good chance that lifestyle inflation may have taken a toll on their savings, making them dependent on their children.

TIP: Discussing money matters with parents can get uncomfortable. However, it is important to let your parents know of your plans. Brief them on the insurance you have invested in, the cover opted for, list of documents and the process for making a claim so that they don't have to run pillar to post trying to figure the logistics of it.

Dependent children

A mother's love is incomparable, and we trust if you have children, you would do everything in your power to secure your children's well-being. You would want to ensure that there are no roadblocks to their education, they can aspire for a better lifestyle and do not have to make any compromises in life. The need for a term cover becomes even more critical if you are a single mother. Opting for a monthly pay-out from a term plan ensures that your children's education and financial future are not hampered in your absence.

TIP: A comprehensive term plan can make it easier to secure a loan, if required, for your children's education. It offers the lender the security that the loan will be repaid, even if something untoward happens. Alternatively, your term insurance can also be used as a collateral to seek an educational loan.



Asset preservation

Considering how expensive housing and real estate is in urban India, it takes two incomes to secure a mortgage. You can contribute to the repayment till you are alive and working; however, if something unfortunate happens to you before you pay off the loan, your partner may end up in a financial predicament.

TIP: If the mortgage amount is high, opt for a lumpsum pay-out option so that the home loan can be paid off in full. Remember to re-evaluate your total insurance coverage if you are factoring in a mortgage. It should not happen that the entire corpus goes towards the loan repayment and your dependants are left with nothing. You can also go for a lumpsum plus instalment payout.

Pay off liabilities

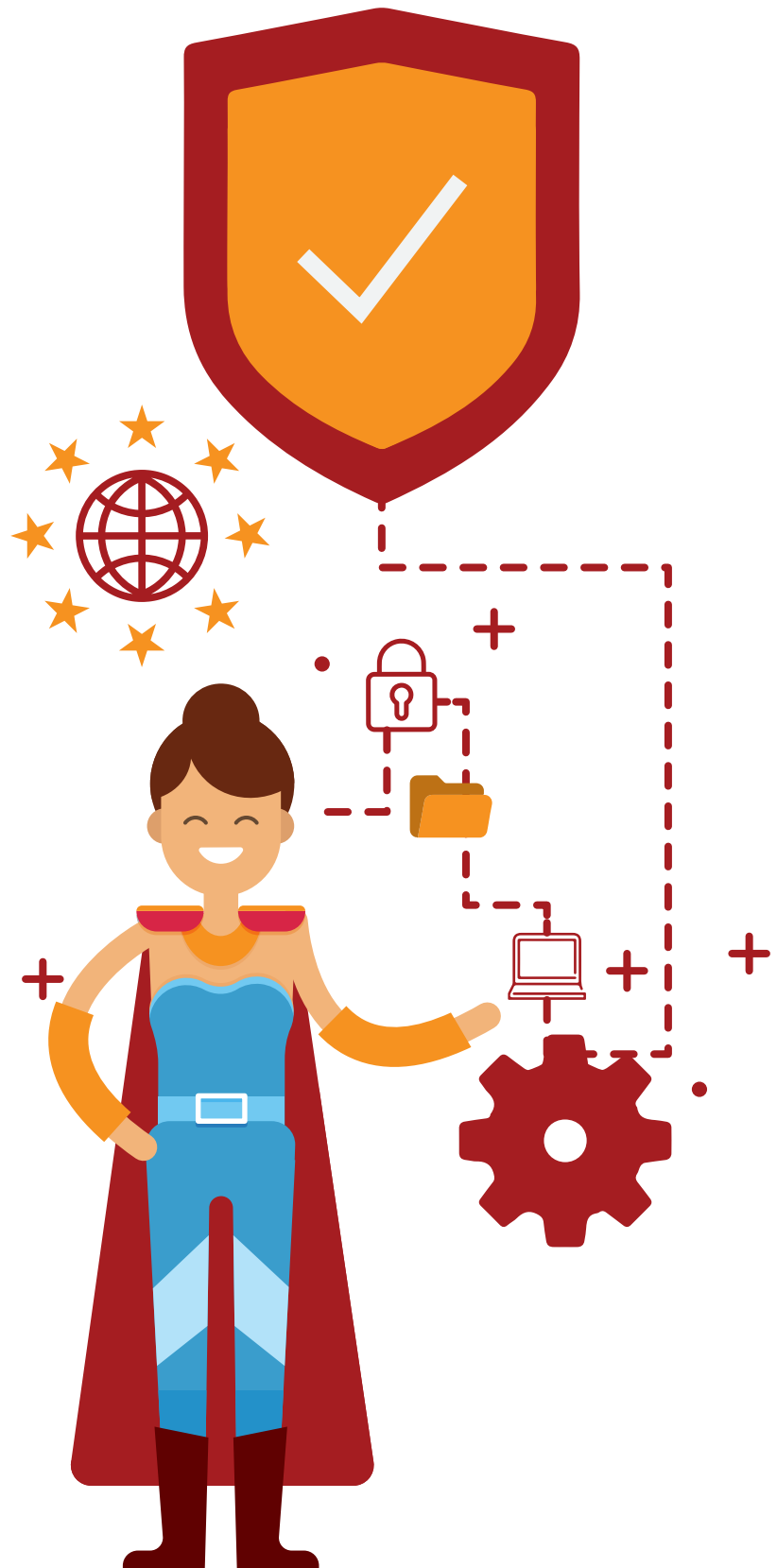
You may have other financial obligations to pay off such as an educational loan, car loan, personal loan, credit card dues, jewellery loan, etc. While your current income may comfortably cover the EMIs, you would not want your family members or dependents to become liable for your dues in the event of your demise.

TIP: If you have multiple liabilities, make sure that all commitments are covered for. Also make it a point to add a critical illness rider to your term plan, so that even if there is a loss of income due to an illness, your outstanding dues will not accrue a high rate of interest usually associated with most personal loans or credit card dues.

Business protection

If you are a businesswoman, there is a good chance you may have an outstanding business loan, vendor payments and dues to settle. A term plan serves as an emergency fund that can cover for all business liabilities and ensure that your venture and your legacy continue to flourish even if you are not around.

TIP: If there are multiple partners in your business venture, ensure that each partner has an insurance plan that more than covers for their contribution and absence from the business, safeguarding the future prospects even if one of the partners isn't there.



CHAPTER 3

How much term cover do you need?

Factoring in life goals of family members, inflation, their current income, and more can help women make this decision.

While assessing your needs for a term plan, it is important to take a comprehensive look at your long-term financial needs and not just income replacement. You need to account for your family's living expenses, assets, major liabilities and important family milestones when estimating your coverage.

A ballpark estimate of your life insurance needs

As a general rule of thumb, you should get a cover that is at least 10-15 times of your current annual income.

For example:

if your **annual income is Rs 8 lakh**, your life insurance cover should be anywhere between **Rs 80 lakh to Rs 1.2 crore**, depending on your needs.

To get a better estimate of how much cover you exactly need, you can follow the methodology mentioned below.

Account for family expenses (E)

If you make a contribution to the household expenses, a loss of income will adversely affect the family's lifestyle and consumption pattern. Budget the monthly household expenses and multiply it by 12 to get a ball-park estimate of all annual expenses. This should include:

- Mandatory household expenses such as rent, maintenance, municipal taxes, etc.
- Living expenses such as groceries, utilities, transport, house help, etc.
- Lifestyle expenses such as dining out, entertainment, vacations, etc.
- Other bills and payments including education fees, medical emergencies, insurance premiums, etc.



Take a stock of your assets (A)

Your assets can be passed on to your dependants or children as a part of your estate. In an ideal scenario, your family should not have to liquidate any assets to pay off any outstanding debt; however, they can be utilised in case of a financial contingency. Your assets include:

- Cash and fixed income investments such as term deposits, debt mutual funds, bonds, provident fund corpus, etc.
- Other assets such as immovable property, gold, precious jewellery, stocks, etc. (the value of market-linked assets will fluctuate from time to time; hence, they can be estimated at 70% of their present value)

Factor all liabilities (L)

If you have any debt or liabilities to pay off, it is important to factor them while assessing your term coverage. If you have a mortgage, there is a good chance your lender may have asked you to take a separate Home Loan Protection Plan (HLPP) that acts as a surety of repayment without burdening your family.

- Other liabilities include outstanding personal/ business loans, jewellery loan, car loan, credit card dues, etc.

You may want to consider covering for any other secured debt where there is a risk of your asset being repossessed or auctioned.

Milestones (M)

If you are preparing for important life events such as buying your own house, or dreaming about your child's graduation or their marriage, you would want to make a financial provision for these life-goals.

Account for inflation: The real expenditure will keep on rising on account of inflation. While the standard rate of inflation can be pegged at 7%, remember the rate of educational inflation in India is much higher, averaging between 10% and 12%. Be sure to estimate your expenses after adjusting for inflation or increased cost of education 5, 10 or 15 years out depending on how young your children are now.

You can calculate this future value using the formula $FV = PV \cdot (1 + R/100)^N$ where,

- FV is Future Value
- R is rate of inflation
- PV is Present Value
- N is number of years to goal

Therefore your estimated Sum Assured
 $= (E + (A-L) + M) \cdot (1 + R/100)^N$

You also need to keep in mind that your life insurance needs may not remain the same. The situation is different when you are a single woman with dependent parents versus say a doting mother of two! Your coverage needs to be updated every so often to reflect the changing financial needs.

Human Life Value

You can also use a Human Life Value (HLV) calculator offered by insurance companies. This makes it easier to understand how much term insurance cover you need. It is simple to use. All you need to do is put in basic information such as age, current annual income and expected rate of return. The tool then calculates and tells you the amount of insurance you need to purchase as per your needs. The HLV calculator uses the time value for money formula.

Time Value of Money (TVM) primarily accounts for the ability to generate more returns by investing it now than receiving a similar amount at a future date. With the TVM calculator, the insurance providers offers the future value of all your income till retirement.



How to choose the right term cover for yourself?

Deciding to buy a term insurance is just half the battle won. The other half is picking the right one that suits your needs.



Establish your insurance needs based on

- Your financial goals
- Income potential
- HLV



Determine the policy tenure based on

- Your present age
- When you plan on retiring
- When certain financial commitments are due



Select the suitable pay out option

- Opt for a lumpsum payout if there are liabilities to cover
- Opt for a regular monthly payout to compensate for loss of contribution to household income/ pay for children's education



Add relevant riders

- Critical illness plan, especially if there is a history of critical illness in the family
- Accidental death plan to cover for any unforeseen event



Choose premium payment tenure and frequency

- Single premium cover (for those who have spare funds/ lack financial discipline)
- Limited premium paying term (for those who have a steady income flow at present/ do not want to carry forward a long-term commitment and want to take advantage of discounts available on limited pay options)
- Yearly / half-yearly / monthly premiums till retirement (for those who have limited funds to spare/ want to avail of annual tax benefits)



Select the right insurer based on

- High Claim Settlement Ratio (the percentage of claims settled vis-à-vis the total claims raised)
- High Solvency Ratio (indicating the insurance company's financial strength to meet long-term liabilities)
- Market reputation (customer service and grievance settlement ratio)
- Claim settlement process (how easy and hassle free it is; many new age term plans now offer one day claim settlement)



Did You Know: Women pay lesser for a term insurance cover?

Term insurance premiums for women tend to be lower than those for men. This is because women tend to live longer than men, take lesser life related risks, generally have a better lifestyle and have lower chances of being diagnosed with certain ailments.

CHAPTER 5

How to buy term insurance online?

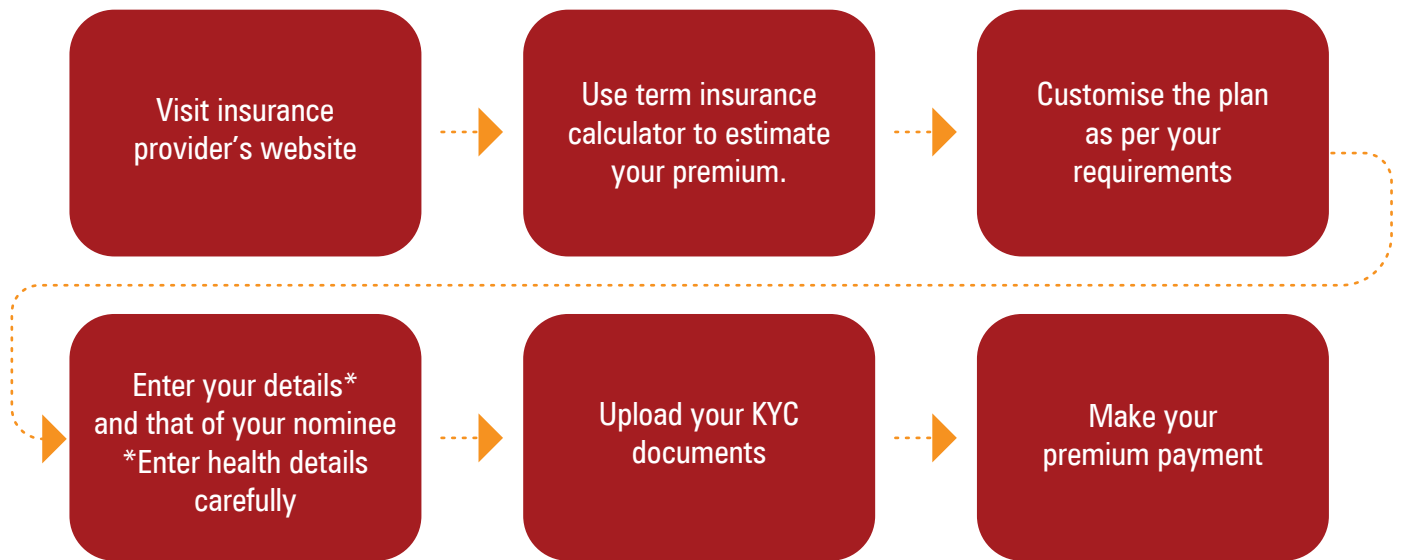
The process is quick and easy. You can buy one with just a few clicks online.

Buying a term plan online is convenient. Most term insurance policies are available at discounted rates when purchased online. Buying online also ensure more transparency than buying through an agent, as you are dealing with the insurance provider directly.

Here's a step by step guide on how to buy term insurance online...

1. Go to the insurance provider's website and select term insurance/term plan.
2. Use their term insurance calculator to check your estimated premium by inputting your gender, date of birth, income level and tobacco consumption details.
3. Basis how much cover you need (calculate as shown before) and your estimated premium, customise your life cover amount.
4. Next customise your policy term, premium payment mode and claim payout mode as per your requirements.
5. Add riders for critical illness and accidental death benefit as you seem fit.
6. Fill up the application form. It will ask you for personal details, education qualifications, employment information, nominee details and more.
7. You will also have to put your correct health information as well as lifestyle choices such as drinking and smoking. Fill this section very carefully to ensure there are no problems in claim payout later.
8. You will then be asked to upload KYC documents such as your PAN card, address proof (Aadhaar/passport/driving license), income proof (salary slips/ ITR/Form 16/bank statement) and your photograph.
9. You are almost done. The only thing left is to pay your premium. You can do so via credit card, debit card, net banking, UPI, Google Pay, Amazon Pay and other popular payment wallets that your insurance provider supports.
10. Please note that policy issuance usually takes 7 days after medical tests, if any, and successful submission of all documents. In case your policy request application is declined, your payment should be reversed within 15 working days.





CHAPTER 6

Summary

A gist of why you need term insurance, how to pick the right one and how to buy it online.

- Term insurance is a comprehensive and an affordable form of life insurance.
- Every woman who has parents, kids or a spouse who are financially dependent on her must buy a term insurance plan to ensure their financial security in case of any unfortunate event.
- Factor in family expenses, assets, liabilities, important milestones and inflation to determine how much term cover you need.
- Add relevant riders such as critical illness and accidental death to your term insurance policy.
- Select the right insurer based on their claim settlement ratio, solvency ratio, market reputation and claim settlement process.
- Buy a term insurance online as it is more convenient and cheaper than buying it offline.
- Choose between monthly instalments or lumpsum payout depending on your needs.
- Ideally, the policy term should last till you are earning. You can also get a whole life cover till the age of 99.
- If you smoke, declare it correctly, along with existing or previous medical conditions, to avoid any claim issues for your family.
- Always pay your premium on time to avoid the policy getting lapsed.
- Claim tax deduction towards premiums paid under Section 80C and 80D of the Income Tax Act of 1961. ^

Things to keep in mind/ Pro tips

- The policy with the cheapest premium is not always the best. Choose a policy that gives you comprehensive coverage at a fair price.
- Paying your premium annually will always be cheaper than doing it monthly.
- Your policy should remain in force atleast till the age you are earning
- If you smoke, declare it correctly to avoid any claim issues for your family.
- Disclose any existing or previous medical conditions.
- Read all Terms & Conditions carefully before purchasing a plan. If you are unsure or do not understand something, do not hesitate to get in touch with your insurance advisor or directly with the insurance company's customer support service.
- Always pay your premiums on time to keep the policy in force. Give your bank a standing instruction of auto debit to avoid missing a payment.

Disclaimers

This guide is only meant as an information and awareness tool, please consult your investment advisor or refer to product brochure before concluding a sale.

*The percentage saving computed is purely in terms of premium paid over the term (Difference between 5 years Limited Pay and Regular pay) of the policy and does not account for time & other factors that may happen during this period. It is one of the many features that the product offers and you can opt for it based on your individual needs. The percentage saving of 70% is for ICICI Pru iProtect Smart - Life Option for Rs.1.00 crore life cover for a 21 year old healthy female for a policy term of 63 years with regular income payout option. The total premium paid in case of 5 year Limited Pay would be Rs 2,56,980. as compared to Rs 8,63,352 under Regular Pay. The premium amounts are inclusive of taxes. ICICI Pru iProtect Smart UIN 105N151V05.

^ Tax benefits are subject to conditions under Section 80C, 80D,10(10D), 115BAC and other provisions of the Income Tax Act,1961. Tax laws are subject to amendments made thereto from time to time. Please consult your tax advisor for details, before acting on above.

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